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SUBJECT: EMBASSY LIMA NOMINATES INTEL FOR SECRETARY'S AWARD
FOR CORPORATE EXCELLENCE

REF: STATE 71180 AND PREVIOUS

SUMMARY

¶1. Embassy Lima is pleased to nominate Intel Semiconductores del Peru S.A. for the Secretary of State's 2007 Award for Corporate Excellence. Intel Corporation's office in Peru is an outstanding example of Intel's commitment to corporate social responsibility, education and bridging the digital divide. In only two years of existence, the small Peru office has made major contributions to economic development in Peru and meets the standards of conduct in all eight categories on which the award is based. Described below are three concrete examples that show why Intel deserves this award: Intel's groundbreaking "PC Peru" program, the recently launched Intel Education Initiative, and an IT training center for the visually handicapped. END SUMMARY.

TRANSFORMATIONAL "PC PERU" PROGRAM

¶2. In March 2005, Intel and Peruvian President Alejandro Toledo announced the launch of the "PC Peru" program, aimed at bridging the digital divide by offering low-cost high-quality computers throughout Peru. With more than half of the population living in poverty and one of the lowest computer penetration levels on the continent, the Peruvian government wanted to raise the quality of life for its citizens by providing better access to IT and Internet-based resources. Intel convinced other computer component manufacturers, distributors and content providers to join Intel in supplying the components at heavily discounted rates. In order to stimulate the Peruvian IT industry, all of the computers were assembled entirely in Peru by at least five local companies. The assembly was done under international standards and certified by Intel.

¶3. Two models were initially offered under the PC Peru program at over 300 points of sale, with the lower priced package costing \$399. Each PC included a 40GB hard drive, a 15" monitor, a 52x CD-ROM, a keyboard, a mouse, two 240w speakers, a 1.44MB disk drive, free anti-virus software, the Linux operating system, three months of free Internet service, a warranty, and free training. To make the PCs even more accessible, Intel provided a 36-month payment plan option. One model included an Intel Celeron 1.8 processor and 128MB RAM, while the other included an Intel P4 2.26 processor and 256MB RAM.

¶4. During the launch phase with the Peruvian Ministry of Production, 4,140 of these low-cost computers were sold

publicly and distributed throughout Peru. The private sector continued selling the PCs after the Peruvian government's direct involvement ended, and reached 20,000 units sold in 2006. There are countless testimonials of how access to affordable PCs improved the lives of lower and middle class Peruvians. Many small and micro enterprises were able to computerize their inventories, create websites, use e-mail to contact clients, expand their sales, and even begin exporting their products. Many of the PCs were acquired by schools, giving students their first access to a computer and the Internet. Currently, PC Peru offers four more modern packages from \$457 to \$620, which can be purchased online at www.pcperu.org. This program has been so successful, that it is being replicated by Intel in several other Latin American countries.

INTEL EDUCATION INITIATIVE

15. Intel's Education Initiative is a worldwide program aimed at training teachers to effectively integrate technology into their classrooms. Primary and secondary school teachers are taught how IT can improve and facilitate their students' learning, are coached on how to apply IT to existing curricula, and are given free on-line resources and interactive lessons. Each teacher participates in 10, 4-hour modules (40 hours) of practical workshops plus 20 hours of homework. They learn to develop unit plans, incorporate the Internet in classes, design web pages, use multimedia programs, and how to transfer what they learn in workshop to other teachers. The Teachers are also put in contact with other trained teachers around the world, and invited to future meetings and Intel seminars. Each teacher receives an extensive Study Program Manual and a CD-ROM with resources. The use of IT and the Internet motivates students and stimulates their creativity.

16. In September 2006, less than two months after taking office, Peruvian President Alan Garcia witnessed Intel and the Ministry of Education signing an agreement launching the pilot program of the Intel Education Initiative in Peru. During the first phase of the pilot program, which began in February 2007, foreign Senior Trainers trained 33 Peruvians for 40 hours, after which they themselves became qualified Senior Trainers. In the second phase, which began at the end of April 2007, 10 of these new Senior Trainers are training 100 teachers from 5 public schools in the Lima area that were selected by the Ministry of Education to become Master Teachers (trained teachers that will help expand the program throughout Peru). This 10-week training also consists of one 4-hour module and 2 hours of homework per week, and is scheduled to be completed in mid July. Intel paid 100 percent of the pilot program costs: brought in trainers; rented computer center; provided manuals, CD-ROMs and incentives for Senior Trainers; and donated computers to a Ministry of Education training center.

17. The pilot program is being monitored by the Education Department of the Pontifical Catholic University of Peru, which will present its evaluation in mid July. After the pilot phase, the next step will be to train 300 additional Master Teachers in August 2007, with the goal of training 3,000 teachers nationwide (in all of Peru's 25 regions) by the end of 2007. After the conclusion of the pilot phase, the costs to continue and spread the program will be split 50-50 by Intel and the Ministry of Education. Intel also signed an agreement with San Martin de Porres University to help expand the training program throughout Peru.

18. Worldwide, the Intel Education Initiative has trained nearly five million primary and secondary school teachers in more than 40 countries since the program's launch in 2000. Intel invests \$100 million per year in this program, and plans to train 10 million teachers more in the next five years. Intel donated 10,000 PCs to schools in developing countries in 2006 and plans to donate at least 90,000 more.

¶9. In 2004, three blind young Peruvians, who had used a World Bank grant to launch Peru's first cyber cafe for the visually impaired in 2003, established the non-profit Association for Technology and the Handicapped (ATECNODIS). Later that year, Intel helped ATECNODIS establish the Peruvian Competitiveness Center for the Visually Handicapped (CCD), providing the building for the Center in the San Borja district of Lima, bringing foreign specialists to train ATECNODIS' volunteers, and donating 15 computers.

¶10. The CCD is a modern IT facility with accessible hardware and software that has provided individualized training to hundreds of visually handicapped Peruvians in computer and Internet use. Courses offered include: Introduction to IT, Windows Operating System, Microsoft Word, Excel, Internet and E-mail, Magic, Messenger, Open Book (scanner), Interactive Encyclopedias and Dictionaries, JAWS, and Mexvox. Since 2005, the CCD also offers text and book digitization services for the handicapped. ATECNODIS, with Intel support, is a leader in promoting the social inclusion of handicapped Peruvians.

OTHER INTEL ACTIVITIES INVOLVING PERU

¶11. Intel has begun offering its wireless laptop "Classmate PC" in Peru for only \$270 per unit. These low cost laptops are especially designed for primary and secondary school students. Intel donated 200 units to the Peruvian government for distribution to public schools in May 2007.

¶12. Intel made possible Peru's first ever wireless district in 2004, donating the infrastructure to provide free wireless "hotspots" throughout Lima's Miraflores district. Similarly, in September 2005, Intel and two other companies launched the "Wireless Cuzco" initiative, which provides free wireless for the central plaza of Peru's number one tourist destination high in the Andes.

¶13. Peruvian students participate and have won awards in Intel's International Science and Engineering Fair (ISEF), the largest pre-university science fair in the world.

Sponsored by Intel since 1997, Intel's ISEF brings together the most promising innovators and scientists at the primary and secondary school levels. Prizes include cash and full university scholarships.

INTEL'S PERU OFFICE

¶14. Intel has had a presence in Peru for eight years, but its local office opened two years ago and currently has four employees. Intel Peru's corporate social responsibility contributions, with so few employees in such a short time, are truly amazing.

¶15. In addition to its exceptional corporate citizenship which contributes to economic development and innovation, Intel's Peru office follows exemplary employment practices and all Peruvian laws and regulations. Intel Peru has not violated any laws or standards, and has not been involved in any acts of corruption. Intel Peru is known as a great and safe place to work.

COMMENT

¶16. Intel, an innovative U.S. firm respected worldwide, has made a real difference in Peru with a solid commitment to improving education and bridging the digital divide. The work Intel has done in Peru is an excellent example of Intel's broader commitment to corporate social responsibility and great business practices worldwide. Intel Peru, with a staff of only four, has done more to contribute to development in Peru than many huge firms and deserves the

Department's recognition for its exemplary accomplishments. With the U.S.-Peru Trade Promotion Agreement (PTPA) close to fruition and Peru hosting the Asia-Pacific Economic Cooperation (APEC) forum activities in 2008 (including visits by Secretary Rice and President Bush), this would be a great time to recognize a model U.S. company that is doing great things in Peru.

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